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COMMISSIONER OF ADMINISTRATION

State of Louisiana
Division of Administration
Office of State Uniform Payroll

February 11, 2010

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2010-37

TO: All ISIS HR Paid Agencies

FROM: Andrea P. Hubbard
Director

SUBJECT: Federal/State Tax Exempt Status and Other Critical Tax Information

Federal and State Tax Exempt Status:

2009 Forms W-4 for employees claiming exempt will expire February 15, 2010. A list of employees that are claiming this status can be produced by running ZP65 (Employee Tax Report). When reviewing ZP65, ensure that all employees whose records end 02/15/2010 have a subsequent IT0210 record. There should always be a subsequent IT0210 record to 12/31/9999.

If you have not received a new withholding form for 2010 from the employee(s) by the deadline, you **must** change their federal filing status to "single" with "zero" withholding allowances. For employees that are claiming exempt in 2010 and a new withholding form has been received, a new IT0210 record must be created. Agencies **must** follow on-line help system task "Maintain Withholding Information" under ISIS HR, "PRMD – Payroll Master/Financial Data" for instructions on changing IT0210. Louisiana state tax rules mirror the federal requirements; therefore, you should follow the same guidelines above for anyone who claimed state exempt status in 2009.

LEO and Withholdings:

LEO's enhanced features allow employees to change federal and state tax withholding information. However, LEO will not allow employees to file exempt or to claim more than 10 exemptions and/or dependents. Employees will receive the message "Allowances claimed greater than FED (or State) threshold 10, file W-4 to agency" if the employee enters credits totaling more than 10. Employees must submit a paper form to their Employee Administrator for these changes.

The IRS and the LA Department of Revenue no longer require that OSUP send copies of W-4/L-4 forms for employees that claim more than 10 allowances or that claim exempt. However, agencies should maintain these paper forms on file.

IRS Lock-In Letters:

In certain situations, the IRS may issue a lock-in letter specifying the maximum number of withholding allowances permitted for a particular employee. OSUP will create an IT0161 record with this information which will automatically check the IRS mandate box on the current IT0210 record.

LEO will not allow any changes to allowances or withholding if an IRS mandate record exists. If an employee provides a new Form W-4, agency personnel should enter this information into the ISIS HR system. The system will evaluate the master data on the employee's record and withhold the appropriate taxes. Copies of the IRS letters will be forwarded to the agency for distribution to the employee.

Critical Information Regarding Changes to IT0210 Tax Records:

The following information explains how taxes are calculated on leave payouts and **why it is important for employees to not make W-4/L-4 changes when leave payouts are expected:**

TAX CHANGES (IT0210)

- ISIS HR handles taxing for leave payouts differently than it does for the employee's normal gross wages.
- Gross wages generated by a payout (Maintain Leave Compensation IT0416 or an auto payment of compensatory hours which exceeded allowable cap) are converted into the equivalent of 80 hour wage amounts, forcing the tax to be calculated as multiple pay period results.

Agencies **should not** advise employees to change their tax withholding status for a single pay period to accomplish the tax "savings" that ISIS calculates automatically. If tax withholding status is changed for this single period, the result may be that taxes are actually under-withheld.

When calculating an employee's tax withholding amount, ISIS HR looks at the tax record in effect on CHECK DATE not the tax record active for the pay period date range. So, pay close attention to the FROM date entered on the tax record (IT0210) when making a change.

For questions on ZP65 and how to set up IT0210 records, contact the ISIS HR Help Desk via an ISIS HR [Help Desk Ticket](#). Any other questions should be directed to the OSUP Wage & Tax Administration Unit at _DOA-OSUP-WTA@la.gov or (225):

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